Camp

Fee

COMBINED
ENGINEERED
PRODUCTS
LIMITED

THIRTIETH
ANNUAL
REPORT
1974

COMPRO

BOARD OF DIRECTORS

*M. O. SIMPSON, JR.	*Phoenix, Arizona, Chairman of the Board and Executive Committee*
*D. S. BEATTY	*Toronto*
J. P. CARRIÈRE	*Montreal*
*P. S. NEWELL	*Toronto*
M. O. SIMPSON	*Tucson, Arizona*
D. L. TORREY	*Montreal*
*H. M. TURNER	*Toronto*

**Members of Executive Committee*

OFFICERS

M. O. SIMPSON, JR.	*President*
B. T. H. KNILL	*Vice President & Secretary-Treasurer*
P. H. SLAUGHTER	*Vice President — Canadian Operations*
R. A. DAVIS	*Vice President*
S. P. LOCKHART	*Vice President*
K. W. DEARLOVE	*Controller*

TRANSFER AGENTS AND REGISTRARS

MONTREAL TRUST COMPANY

Edmonton, Halifax, Montreal, Toronto, Vancouver and Winnipeg

REGISTRAR AND TRANSFER COMPANY

34 Exchange Place, Jersey City, N.J. 07302

AUDITORS

PARENT COMPANY, CANADIAN SUBSIDIARY COMPANIES
AND SOUTHEASTERN-WESTBROOK ELEVATOR

Coopers & Lybrand

COMPRO-FRINK CORPORATION
FRINK SNO-PLOWS
ORACLE CORPORATION

Robb, Dowling & Adams

THE DIRECTORS' REPORT

To the Shareholders of

COMBINED ENGINEERED PRODUCTS LIMITED

Consolidated sales increased by $1,064,133 to $26,574,353. Net earnings were $561,902 which, after deducting $110,000 dividends on the Preferred Shares, is equal to 74¢ per Common Share compared to 57¢ per share a year ago. Working capital increased by $464,406 to $4,948,964 at August 31, 1974. Capital expenditures were of a routine nature and amounted to $436,331. Common shareholders' equity at August 31, 1974 was $3,682,309 which is equal to $6.01 per share.

Inventories show a substantial increase at year end, the main cause being marked increases in supplier prices coupled with larger quantities purchased in an effort to ensure adequate supplies.

During the year the Company sold Lawron Industries Division, Farnham, Quebec and its related operation Monsoon Co., Richford, Vermont. The Company's investment in these operations will be more profitably employed elsewhere.

It was reported to the shareholders that in late December 1973 the Company received substantial claims for indemnity from Dover Corporation, the purchaser of the Turnbull Elevator companies in 1966. The probable cost and effective treatment of a settlement of these claims are explained under Note No. 11 which forms part of this annual report.

All of the Company's divisions and subsidiaries operated profitably during the year despite the difficult conditions attendant to unbridled inflation, material shortages, broken delivery promises, unannounced price increases and the high cost of borrowed money. These conditions still prevail.

The Company enters the 1974/75 fiscal year with a consolidated backlog of orders on hand in excess of $12,000,000 compared to $10,000,000 a year ago. This should indicate continued profitable operations for at least the first half of the new fiscal year, however it is difficult to forecast too far ahead in light of the unknown extent of the current economic recession in the U.S. coupled with the problems already mentioned. It should be noted that each of the Company's operations will be negotiating new labour agreements in the next few months.

For their efforts in achieving improved results and in coping with current difficulties, the Directors wish to extend their appreciation to the employees of the Company.

On behalf of the Board of Directors,

Chairman

Toronto

November 1, 1974

CONSOLIDATED BALANCE SHEET AS AT AUGUST 31, 1974

			1974	1973
ASSETS			**$**	$
CURRENT ASSETS				
Cash			**552,731**	300,962
Accounts receivable—trade			**3,326,781**	3,483,377
Accounts receivable—other (Note 11)			**40,673**	40,673
Inventories—at the lower of cost or net realizable value (Note 3)			**6,008,577**	5,438,050
Prepaid expenses			**208,283**	256,334
			10,137,045	9,519,396
	Cost	Accumulated Depreciation		
FIXED ASSETS	$	$		
Land	177,102	—	**177,102**	180,062
Buildings	2,038,368	1,053,991	**984,377**	1,141,973
Machinery and Equipment	5,655,806	4,580,783	**1,075,023**	1,098,598
	7,871,276	5,634,774	**2,236,502**	2,420,633
OTHER ASSETS			**52,505**	60,655
			12,426,052	12,000,684

	1974	1973
LIABILITIES	**$**	$
CURRENT LIABILITIES		
Bank Loans (Note 4)	**1,577,000**	1,855,000
Accounts payable and accrued liabilities	**2,900,622**	2,705,514
Income and other taxes payable	**173,016**	116,026
Portion of long term liabilities due within one year (Note 5)	**537,443**	358,298
	5,188,081	5,034,838
LONG TERM LIABILITIES (Note 5)	**1,372,662**	1,582,439
DEFERRED INCOME TAXES	**183,000**	153,000
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized—		
200,000 Preferred Shares of the par value of $20 each, issuable in series		
1,200,000 Common Shares without nominal or par value		
Issued and fully paid—		
100,000 $1.10 Cumulative Preferred Shares, Series A, redeemable at $21.50	**2,000,000**	2,000,000
612,300 Common Shares (Note 6)	**157,250**	157,250
RETAINED EARNINGS	**3,525,059**	3,073,157
	5,682,309	5,230,407
	12,426,052	12,000,684

Signed on behalf of the Board:

M. O. SIMPSON, JR., *Director*

H. M. TURNER, *Director*

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED AUGUST 31, 1974

	1974	1973
	$	$
SALES (Note 2)	**26,574,353**	25,510,220
COSTS		
Cost of products sold	**21,263,336**	20,266,350
Advertising	**113,879**	132,177
Selling expenses	**1,183,985**	1,306,593
Research and product development	**145,004**	155,239
Administrative and general expenses	**1,660,919**	1,593,734
Depreciation and amortization	**422,141**	458,608
Remuneration of directors and senior officers (Note 8)	**379,521**	379,772
Start-up expenses	**—**	32,229
	25,168,785	24,324,702
EARNINGS BEFORE INTEREST AND INCOME TAXES	**1,405,568**	1,185,518
INTEREST		
Bank loans	**189,419**	109,091
Long term liabilities	**200,247**	155,800
	389,666	264,891
EARNINGS BEFORE INCOME TAXES	**1,015,902**	920,627
INCOME TAXES		
Current	**424,000**	464,000
Deferred	**30,000**	(4,000)
	454,000	460,000
NET EARNINGS FOR THE YEAR	**561,902**	460,627
Per Common Share (after dividends on Preferred Shares)	**74¢**	57¢

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED AUGUST 31, 1974

	1974	1973
	$	$
RETAINED EARNINGS—beginning of year	**3,073,157**	2,722,530
NET EARNINGS FOR THE YEAR	**561,902**	460,627
DIVIDENDS—Preferred Shares	**110,000**	110,000
	451,902	350,627
RETAINED EARNINGS—end of year	**3,525,059**	3,073,157

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Combined Engineered Products Limited and wholly owned subsidiary companies as at August 31, 1974 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination of the financial statements of the parent company and those of its subsidiary companies of which we are auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of the other subsidiary companies.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at August 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand
Chartered Accountants

Toronto, October 30, 1974

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED AUGUST 31, 1974

	1974	1973
	$	$
WORKING CAPITAL PROVIDED BY:		
Operations—		
Net earnings for the year	**561,902**	460,627
Add: Charges not requiring an outlay of funds		
Depreciation and amortization	**422,141**	458,608
Deferred income taxes	**30,000**	(4,000)
	1,014,043	915,235
Disposals of fixed assets	**198,321**	76,282
Decrease (increase) in other assets	**8,150**	(21,400)
	1,220,514	970,117
WORKING CAPITAL APPLIED TO:		
Dividends paid to preferred shareholders	**110,000**	110,000
Additions to fixed assets	**436,331**	709,372
Decrease (increase) in long term liabilities	**209,777**	(13,395)
	756,108	805,977
INCREASE IN WORKING CAPITAL	**464,406**	164,140
WORKING CAPITAL—beginning of year	**4,484,558**	4,320,418
WORKING CAPITAL—end of year	**4,948,964**	4,484,558

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 1974

1. BASIS OF CONSOLIDATION

The accounts of all subsidiary companies have been consolidated. Assets, liabilities and earnings of the United States subsidiary companies have been converted to Canadian Funds at a rate approximating year-end rates of exchange.

2. CLASSES OF BUSINESS BY PERCENTAGE OF SALES

	1974	1973
Snow and ice control equipment	33%	34%
Hydraulic and traction elevators	22	23
Industrial gears and speed reducers	18	16
Truck parts, equipment and service	12	11
Other (including roll coverings, rubber linings, wet weather clothing, and miscellaneous steel fabrication)	15	16
	100%	100%

3. INVENTORIES

	1974	1973
These comprise:	$	$
Raw Materials	2,332,536	1,735,028
Work in Process	1,565,482	1,330,169
Finished Goods	2,110,559	2,372,853
	6,008,577	5,438,050

4. BANK LOANS

$1,770,000 of the bank loans including term bank loans at August 31, 1974 have been secured by a floating charge debenture on the parent company's assets and by pledging inventories and trade accounts receivable of the divisions of the parent company and its Canadian subsidiary.

5. Long Term Liabilities

	Long Term	Portion due within one year
	$	$
Term bank loans—scheduled for repayment at varying amounts per year to August 29, 1979 ($850,000 secured: Note 4)	1,038,067	448,600
5% mortgage note due May 31, 1986 secured by fixed assets with net book value of $119,000	163,075	9,600
Equipment financing	133,251	43,123
Sundry notes and mortgages	38,269	36,120
	1,372,662	537,443

6. Dividend Restriction

The provisions of the $1.10 Cumulative Preferred Shares, Series A prevent the payment of dividends on the Common Shares unless, immediately after giving effect to such action, the aggregate amount of dividends paid subsequent to August 31, 1962 on all shares of the company will not be more than the consolidated net earnings since that date. Before dividends on the Common Shares can be paid, therefore, additional consolidated net earnings (after payment of the cumulative dividends on the Preferred Shares) of $140,000 must be made.

7. Pension Plans

During the year the company increased the pension benefits to employees at one of its divisions. The past service costs for this additional coverage are $58,000. The unfunded past service liability of all pension plans based on the most recent valuations by independent actuaries is $745,000 of which $330,000 is actuarially computed to have vested. This amount is being funded over 16 years. The company has no legal liability with regard to the past service obligation including that portion which is vested.

8. Information re Directors and Officers

The company has seven directors whose aggregate remuneration as directors was $7,500, all of which was paid by the company. The company has six officers whose aggregate remuneration was $352,021 (1973, $372,072) of which $191,874 (1973, $204,172) was paid by Compro-Frink Corporation, a wholly owned subsidiary. One of these officers is also a director.

9. Long Term Commitments

Annual rentals on long term leases of real property and equipment are $198,608. Such leases expire at varying dates before 1993. Subsequent to the balance sheet date, the company purchased office and manufacturing facilities which were previously leased. The purchase price was $425,000, the vendor taking back a mortgage for $400,000 at 9% for 40 years.

10. Foreign Withholding Taxes

Dividend payments from the subsidiary company in the United States are subject to withholding tax at 15% but are not subject to additional tax in Canada. The company does not anticipate paying dividends in the future out of earnings accumulated in the United States to August 31, 1974 as these earnings have been re-invested on a long term basis. Accordingly withholding taxes have not been provided.

11. Contingent Liabilities

Under the terms of an agreement dated February 24, 1966, with Dover Corporation for the sale of the Elevator Companies, the company agreed to reimburse Dover for liabilities arising prior to February 28, 1966 which were not recorded as of that date. If these liabilities are deductible for income tax purposes by the Elevator Companies, the reimbursement the company may be called upon to make is reduced by 50%. On December 27, 1973, the company received notification of claims for indemnity in respect to unrecorded liabilities arising prior to February 28, 1966. Negotiations to date indicate that payments may have to be made in respect to some or all of the following matters:

(a) Unsettled litigation in the United States for amounts totalling $221,000 (1973, $626,000). These actions have arisen between the date of sale and the present time and have been reduced by $405,000 during the current year. In the opinion of management, these actions will be settled for materially less than $221,000 and furthermore would be deductible for income tax purposes.

(b) The Internal Revenue Service (I.R.S.) has issued its examination report arising from its recent audit of the U.S. company sold to Dover for the years 1962 to 1966. The examination report reflects additional tax, interest and penalties for the period covered by the company's indemnity of approximately $236,000. Legal counsel has given an opinion that the I.R.S.'s report was ill founded and a Statement of Protest has been filed. In the opinion of management the above matter will be settled at minimal cost to the company.

(c) Claims made by Dover in respect to other unrecorded liabilities will possibly be settled for approximately $50,000 on an after-tax basis. Furthermore, it is anticipated that the $40,673 Accounts Receivable — Other, representing accounts receivable repurchased under the above agreement, will be collected on settlement of these claims.

It is impossible at this time to ascertain what, if any, payments will be necessary in respect to Items (a) and (b) above, however, all payments required under any of the above will constitute a reduction in the original selling price of the Elevator Companies in 1966. Accordingly they will be accounted for as prior period adjustments to opening retained earnings and, therefore, will not appear as charges against current earnings in future financial statements.

COMBINED ENGINEERED PRODUCTS LIMITED

365 Evans Avenue
Toronto, Ontario M8Z 1K2

CANADIAN DIVISIONS

FORT GARRY INDUSTRIES
Winnipeg, Manitoba; Regina and Saskatoon, Saskatchewan and Thunder Bay, Ontario

HAMILTON GEAR AND MACHINE COMPANY
Toronto, Ontario; Montreal, Quebec and Vancouver, B.C.

CANADIAN SUBSIDIARY

C.E.P. INDUSTRIES LIMITED (Name change of Lawron Industries Limited)

EASTERN STEEL PRODUCTS
Cambridge and Mississauga, Ontario and Montreal, Quebec

FRINK CANADA
Cambridge and Mississauga, Ontario and Montreal, Quebec

U.S. SUBSIDIARIES

COMPRO-FRINK CORPORATION

FRINK SNO-PLOWS
Clayton, New York

SOUTHEASTERN-WESTBROOK ELEVATOR
Atlanta, Georgia and Danville, Virginia

ORACLE CORPORATION
Alpena, Michigan

FORT GARRY INDUSTRIES
460 McPhillips Street
Winnipeg, Manitoba R2X 2G8

D. L. Suche
President

Established fabricator of truck bodies and trailers and a distributor of automotive parts.

Fort Garry provides a unique service at its Winnipeg plant —steel products can be manufactured and rubber or elastomer lined in a one-plant operation. Company markets are transportation, chemical, mining, aviation, logging and general industries.

The company designs and manufactures a line of industrial air and airless, glass shot, sand or other abrasive blasting equipment. These units are marketed under the Superior Blast-N-Peen name.

The four locations at Winnipeg, Regina, Saskatoon and Thunder Bay occupy 80,000 square feet and employ 103 people.

HAMILTON GEAR AND MACHINE CO.
950 Dupont Street
Toronto, Ontario M6H 1Z3

D. K. Chapman
Vice President and
General Manager

Manufactures a complete range of industrial cut gears; speed reducers and speed increasers; flexible shaft couplings; special custom products such as pinion stands, coiler drives and motorized units for special application.

Markets include: the pulp and paper industry; mining industry; steel industry; environmental control industry, and all manufacturing and processing industries.

Toronto plant occupies 96,000 square feet, employs 191 people. Sales offices are in Montreal and Vancouver.

EASTERN STEEL PRODUCTS
777 Laurel Street
Cambridge, Ontario N3H 3Z1

G. G. Reitz
Vice President and
General Manager

Fabricates custom steel plate work to customers' designs and specifications, including: transformer casings; bins; chutes; hoppers; conveyor frames; large diameter pipe; tanks; ovens; furnaces and heavy duct work of all types.

Occupies some 42,000 square feet. Employees number 82.

FRINK CANADA
777 Laurel Street
Cambridge, Ontario N3H 3Z1

G. G. Reitz
Vice President and
General Manager

Manufactures Canada's widest range of heavy-to-light duty snow and ice control equipment; also an important manufacturer of dump and sander truck bodies.

Frink Canada engages in intensive research and development of products for airport, highway and street use. Frink Canada also distributes the Elgin/Leach line of sanitation equipment in Quebec and Ontario.

With 100,000 square feet of manufacturing premises at Cambridge and 25,000 square feet in Montreal, the company employs 131 people. Distributor network gives coast-to-coast coverage.

FRINK SNO-PLOWS
205 Webb Street
Clayton, New York 13624

S. P. Lockhart
President

U.S.A.'s largest and best-known designer and manufacturer of snow and ice control equipment including: heavy duty displacement snow plows for super highways and airports; light and medium duty plows for municipal and private use; sand spreaders; rotary snow disposal units.

Clayton plant has over 50,000 square feet of manufacturing space, employs 139 people.

Fifty distributors, throughout continental U.S.A. and Alaska, give nation-wide coverage.

ORACLE CORPORATION
1995 East Hamilton Road
Alpena, Michigan 49707

F. Hyde
General Manager

Manufactures most of the Frink snow and ice control products for markets west of Ohio. Also fabricates custom steel plate work to customers' designs and specifications.

This new facility, built in the winter of 1972/73, has 10,000 square feet of manufacturing space and currently employs 23 people.

SOUTHEASTERN-WESTBROOK ELEVATOR

441 Memorial Drive S.E.
Atlanta, Georgia 30312

R. A. Davis
President

Designs and manufactures hydraulic and traction elevator systems for passenger and freight use.

Southeastern-Westbrook sells and installs its products throughout Georgia, South Carolina, Virginia and other Southern U.S. states. About 50% of its manufactured production is sold to distributors through the entire United States and Puerto Rico.

Atlanta plant occupies 100,000 square feet, has sales offices in Columbia, S.C., Danville, Va. and Athens, Ga., employs 174 people.

Combined Engine~~ring~~ed Products Ltd., Toronto

Year Aug 31   562   461   0.74 0.57   26,574   25,510

-30-

... ...

lowe

COMBINED ENGINEERING

T.C. Simpson, ~~Co~~, President of Combined Engineering Products Ltd., said "all of the company's divisions and subsidiaries operated profitably during ~~the year~~ 1974 despite ~~the difficult conditions attendant to unbridled~~ inflation, material shortages, broken delivery promises, unannounced price increases and the high cost of borrowed money. ~~These conditions still prevail.~~"

~~He said~~ The current backlog of orders ~~"should~~ indicates continued profitable operations for at least the first half of the new fiscal year, however it is difficult to forecast ~~too~~ far ahead in light of the unknown extent of the ~~current economic~~ recession in the United States, ~~coupled with the problems already mentioned.~~

The company said it could be liable for about $407,000 in claims ~~xxixxix mxbxbinx~~ from Dover Corp., relating to that company's purchase of Turnbull Elevator Cos. However, any payments will be treated as prior-period adjustments to ~~opening~~ retained earnings, rather than charges against current profits ~~in any future financial statements.~~

Sh

COMPRO LIMITED

(FORMERLY KNOWN AS
COMBINED ENGINEERED PRODUCTS LIMITED)

INTERIM REPORT

TO SHAREHOLDERS

FOR THE THREE MONTHS

ENDED NOVEMBER 30, 1974

COMPRO LIMITED

To the Shareholders:

Sales increased by $574,270 for the period. Net earnings for the period increased to $315,300. Consolidated working capital increased during the period by $204,544.

The increase in earnings for the first quarter should not be annualized owing to the seasonal nature of some of the Company's operations and because of the uncertainty in the economic outlook.

The increase in earnings is not represented at this time by a commensurate cash flow. Larger inventories have been necessary in order to achieve the increased volume and margins.

The Consolidated Statement of Changes in Financial Position reflects the acquisition of land and buildings, which were previously rented, in Atlanta, Georgia. Also reflected in this statement is the disbursement of $50,566 to Dover Corporation, being the cash portion of the settlement of the indemnity claims made by them on the Company.

Supplementary Letters Patent were received as of December 3, 1974 confirming the name change of the Company to Compro Limited.

On January 15, 1975 the hourly employees of Hamilton Gear and Machine Co. went on strike. There are four remaining union contracts yet to be negotiated. Until the effect of the existing strike and the settlement of the remaining contracts is known, no comment can be made at this time on the earnings for the balance of the year.

January 17, 1975

M. O. SIMPSON, JR.
Chairman and President.

INTERIM CONSOLIDATED STATEMENT OF EARNINGS

(Unaudited)

FOR THE THREE MONTHS ENDED NOVEMBER 30, 1974

	Nov. 30 1974	Nov. 30 1973
	$	$
SALES	7,164,313	6,590,043
PROFIT BEFORE INCOME TAXES	630,641	263,286
ESTIMATED INCOME TAXES	315,341	131,686
NET PROFIT FOR THE PERIOD	315,300	131,600
EARNINGS PER COMMON SHARE	47.0¢	17.0¢

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(Unaudited)

FOR THE THREE MONTHS ENDED NOVEMBER 30, 1974

WORKING CAPITAL PROVIDED BY:		
Operations		
Earnings for the period	315,300	131,600
Depreciation provided	105,107	123,784
Net increase (decrease) in long term liabilities	371,150	(17,524)
	791,557	237,860
WORKING CAPITAL APPLIED TO:		
Dividends paid to preferred shareholders	27,500	27,500
Additions to fixed assets	508,947	45,522
Dover settlement	50,566	—
	587,013	73,022
INCREASE in working capital	204,544	164,838
WORKING CAPITAL at beginning of year	4,948,964	4,484,558
WORKING CAPITAL at end of period	5,153,508	4,649,396
CURRENT ASSETS	12,083,275	9,864,719
CURRENT LIABILITIES	6,929,767	5,215,323
	5,153,508	4,649,396

AR46

Sub

COMBINED ENGINEERED PRODUCTS LIMITED

INTERIM REPORT TO SHAREHOLDERS FOR THE SIX MONTHS ENDED FEBRUARY 28, 1974

COMPRO

COMBINED ENGINEERED PRODUCTS LIMITED (Cancorp Ltd.)

To the Shareholders:

Sales increased by $722,854 for the period. Net earnings for the period compared favourably to those for the same period a year ago. Consolidated working capital increased by $486,178 during the period.

On February 28, 1974 the net assets of the roll covering and Canadian clothing business of Lawron Industries, Farnham, Quebec, were sold for cash. The proceeds of $437,000 have been used to reduce bank borrowings.

At the present time it is anticipated the earnings for this fiscal year will compare with those of 1973.

The substantial claims for indemnity received from Dover Corporation and referred to in the previous quarterly report have been assessed by the Company's legal counsel and Dover Corporation has been advised that apart from one item of $6,865 the Company denies any liability to Dover arising out of the sale of the elevator companies.

April 19, 1974

M. O. Simpson, Jr.
Chairman and President.

INTERIM CONSOLIDATED STATEMENT OF EARNINGS

(Unaudited)

FOR THE SIX MONTHS ENDED FEBRUARY 28, 1974

	Feb. 28 1974	Feb. 28 1973
	$	$
SALES	**14,007,747**	13,284,893
EARNINGS BEFORE INCOME TAXES	**604,571**	612,072
ESTIMATED INCOME TAXES	**302,571**	318,872
NET EARNINGS FOR THE PERIOD	**302,000**	293,200
EARNINGS PER COMMON SHARE (after dividends on Preferred Shares)	**40.3¢**	38.9¢

INTERIM CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

(Unaudited)

FOR THE SIX MONTHS ENDED FEBRUARY 28, 1974

SOURCE		
Operations		
Net earnings for the period	**302,000**	293,200
Depreciation provided	**251,808**	249,647
	553,808	542,847
Net book value of fixed assets sold	**177,886**	76,282
	731,694	619,129
USE		
Dividends paid to preferred shareholders	**55,000**	55,000
Additions to fixed assets	**135,218**	536,210
Net decrease (increase) in term liabilities	**55,298**	(195,294)
	245,516	395,916
INCREASE in working capital	**486,178**	223,213
WORKING CAPITAL at beginning of year	**4,484,558**	4,320,418
WORKING CAPITAL at end of period	**4,970,736**	4,543,631
CURRENT ASSETS	**9,883,954**	10,121,621
CURRENT LIABILITIES	**4,913,218**	5,577,990
	4,970,736	4,543,631

AR46

COMBINED ENGINEERED

PRODUCTS LIMITED

INTERIM REPORT

TO SHAREHOLDERS

FOR THE SIX MONTHS

ENDED FEBRUARY 28, 1973

COMBINED ENGINEERED PRODUCTS LIMITED

To the Shareholders:

Net earnings for the first six months of this fiscal year declined by $77,068 to $293,200. Working capital increased by $223,213 to $4,543,631 at February 28, 1973. Additions to fixed assets includes the new plant, machinery and equipment for Oracle Corporation.

Factors contributing to the decline in earnings for the period under review were the absorption of charges relating to provision for doubtful accounts receivable, start-up costs of Oracle Corporation and continued costs relating to establishing Monsoon products in the United States.

Sales of snow and ice control equipment have been deferred into the last six months of the fiscal year because of delays in deliveries of chassis from truck manufacturers.

Three of the company's operations have renewed their union contracts without work interruption, leaving two contracts to be settled in the latter part of the fiscal year.

Earnings for this fiscal year should approximate those of 1972.

M. O. SIMPSON, JR.,
Chairman and President.

INTERIM CONSOLIDATED STATEMENT OF EARNINGS

(Unaudited)

FOR THE SIX MONTHS ENDED FEBRUARY 28, 1973

	February 28 1973	February 29 1972
	$	$
SALES	13,284,893	13,239,528
EARNINGS BEFORE INCOME TAXES	612,072	771,555
ESTIMATED INCOME TAXES	318,872	401,287
NET EARNINGS FOR THE PERIOD	293,200	370,268
EARNINGS PER COMMON SHARE (after dividends to preferred shareholders)	38.9¢	51.5¢

INTERIM CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

(Unaudited)

FOR THE SIX MONTHS ENDED FEBRUARY 28, 1973

SOURCE		
Operations		
Net earnings for the period	293,200	370,268
Depreciation provided	249,647	263,233
	542,847	633,501
Net book value of assets sold	76,282	111,943
Net increase (decrease) in term liabilities	195,294	(65,973)
	814,423	679,471
USE		
Dividends paid to preferred shareholders	55,000	55,000
Additions to fixed assets	536,210	165,581
	591,210	220,581
INCREASE in working capital	223,213	458,890
WORKING CAPITAL at beginning of year	4,320,418	3,725,236
WORKING CAPITAL at end of period	4,543,631	4,184,126
CURRENT ASSETS	10,121,621	8,524,887
CURRENT LIABILITIES	5,577,990	4,340,761
	4,543,631	4,184,126